

2000-02 OPERATING AND CAPITAL BUDGET REPORT

**Agenda Item G-3
May 22, 2000**

The House and Senate passed the budget bill (HB 502) April 14 and the Governor signed the bill April 26. There were several line item vetoes, but none that related to postsecondary education programs or funding. This budget provides \$1,052,805,600 in 2000-01 and \$1,159,611,300 in 2001-02 in State General Funds for postsecondary education – a 19.1 percent increase for the biennium. This funding level represents a \$185.7 million increase over the biennium.

In addition to these totals, the budget includes \$120 million in 2000-01 in the Surplus Expenditure Plan for the “Bucks for Brains” program. Included in the Tobacco Settlement funds are \$5,055,000 in 2000-01 and \$6,080,000 in 2001-02 for the Lung Cancer Research Program and \$1,400,000 in 2000-01 and \$1,409,500 in 2001-02 for the Early Childhood Scholarship Program.

Here are some of the funding highlights for postsecondary education.

- Funding to assure at least a 2.7 percent increase in 2000-01 and at least a 3.7 percent increase in 2001-02 for all institutions.
- \$8 million in each year of the biennium for the Enrollment Growth and Retention program.
- \$10 million in 2001-02 for the Action Agenda program in the Regional University Excellence Trust Fund.
- \$6 million in each year of the biennium for the Workforce Training program in the Workforce Development Trust Fund.
- \$4 million in 2000-01 for the KCTCS Administrative Information Software System.
- \$7.5 million in 2001-02 for the Technology Trust Fund. This includes:
 - \$3.8 million for debt service for equipment replacement;
 - \$1.2 million for network infrastructure;
 - \$1.0 million for faculty development; and
 - \$1.5 million for the public communication campaign program.
- \$20.9 million in 2001-02 for the Physical Facilities Trust Fund in debt service for capital projects described below.
- \$22.4 million in 2000-01 and \$37.5 million in 2001-02 for the Student Financial Aid & Student Advancement Trust Fund. Funding in excess of the KEES scholarship requirements may be used for the Council’s Contract Spaces Program, the Kentucky National Guard Tuition Assistance Program, the Council’s Public Communication Campaign Program within the Technology Trust Fund, and the Collaborative Center for Literacy Development.

- \$7 million in 2000-01 and \$12 million in 2001-02 for the Adult Education and Literacy Trust Fund to implement provisions of Senate Bill 1, the Adult Education Bill.
- \$1.25 million in 2000-01 and \$4.25 million in 2001-02 for the Science and Technology Trust Fund to implement provisions of House Bill 572, the Knowledge-based Economy Bill.
- \$6,255,000 in 2000-01 and \$6,405,000 in 2001-02 for KCVU and KCVL.
- An additional \$3 million in each year of the biennium for the Early Reading Incentive Grant program and the Collaborative Literacy Center. These funds will be appropriated to the Council and transferred to the Kentucky Department of Education and the University of Kentucky.
- \$13,326,800 in 2000-01 and \$9,415,400 in 2001-02 for pass-through programs administered by the Council.
- \$3,992,000 in 2000-01 and \$4,088,000 in 2001-02 for the Council's Agency Operations Program.
- Based on 2000-02 tuition rates set by the institutions, estimated tuition and fees revenue will increase \$42.8 million systemwide over the biennium.

The Physical Facilities Trust Fund includes debt service for the \$30 million capital renewal and maintenance program; \$103.4 million renovation, replacement, and infrastructure projects; and \$74 million to partially fund new research buildings at UK and UofL. The \$30 million capital renewal and maintenance projects will be matched dollar-for-dollar by the institutions. UK and UofL will provide 40 percent of the total project scopes (\$25 million at UK and \$16.4 million at UofL) to partially fund the research buildings.

The Conference Committee added two new projects to the capital projects requested by the Council and recommended by the Governor. In addition, it deleted one project, the EKV Cammack Building renovation. HB 502, as enacted, reflects these additions and moves \$5 million in state bonds from EKV's Cammack Building renovation to partially fund a new Business and Technology Building at EKV. The Business and Technology Building also will be funded with at least \$4 million in Economic Development bonds. The second project is a new \$10 million capital construction project, the South Campus Building, at WKU. Economic Development bonds will fund at least \$4 million of the project.

The General Assembly approved a \$35 million agency bond pool. The projects eligible for funding from this pool were approved by the Council at the November 1999 meeting and are shown on Table 10. The budget bill includes authorization for UK to expend \$1 million in agency funds for the planning and design of a classroom building for LCC.

The budget bill includes funding for several postsecondary education community development projects specifically identified as postsecondary education projects. These projects are to be appropriated to KCTCS, Morehead State University, and UofL. These total \$540,000 in cash-funded projects and \$11.2 million in bond-funded projects. As project plans are developed, other community development projects may be associated with postsecondary education institutions. The Council staff will provide details on these projects when they become available.

Language in the Special Provisions section of the budget bill relates to several postsecondary education programs. This language is included in Table 11. Tables 1 through 9 show the details of funding included in HB 502.

The passage of House Bill 1 during the May 1997 Special Session of the General Assembly resulted in a major shift in the priority accorded postsecondary education in the statewide budgetary process. The Graphs 1-3 and Table 12 illustrate this situation.

The following is a brief summary of some of the significant milestones of this new budgetary emphasis:

- House Bill 4, passed in May 1997, provided an additional \$38 million to postsecondary education for fiscal year 1998.
- In the 1998-2000 biennium, the postsecondary education General Fund budget grew by 21.4 percent.
- For the 2000-02 biennium, the enacted postsecondary education General Fund budget grows by 19.1 percent while General Fund revenue grows by only 11.6 percent. This \$185.7 million increase is the largest dollar increase ever for postsecondary education.
- In the original fiscal year 1998 budget, before the May 1997 Special Session on postsecondary education reform, postsecondary education accounted for 13.9 percent of the total General Fund appropriations. Based on the enacted budget, by fiscal year 2002 postsecondary education will account for 15.8 percent of the total General Fund appropriations.

Since the passage of House Bill 1, the General Assembly, at the request of the Governor, has appropriated significant new funds to the system of postsecondary education through institutional base adjustments, incentive trust funds, capital projects, endowment funds, and debt issuance. Among major policy areas, postsecondary education, over the past four years, has become the major budget priority of state government. Funding the Council's 2000-02 budget request ensures that the existing budget momentum for postsecondary education will be sustained over the next two years.

Table 1

2000-2002 POSTSECONDARY EDUCATION - ADDITIONAL FUNDING

<u>Institution</u>	<u>State Funds</u>	<u>Tuition and Fees Revenue</u>	<u>Total</u>
Eastern Kentucky University	9,853,700	5,113,000	14,966,700
Kentucky Community and Technical College System	28,770,300	4,757,400	33,527,700
Kentucky State University	3,480,500	1,349,200	4,829,700
Morehead State University	5,457,800	1,140,800	6,598,600
Murray State University	7,835,000	3,771,400	11,606,400
Northern Kentucky University	12,366,400	3,696,100	16,062,500
University of Kentucky	31,747,500	10,446,300	42,193,800
University of Louisville	15,012,800	8,042,900	23,055,700
Western Kentucky University	11,403,200	4,495,400	15,898,600
<i>Subtotal Institutions</i>	<i>125,927,200</i>	<i>42,812,500</i>	<i>168,739,700</i>
CPE	29,685,000	-	29,685,000
KHEAA	30,086,800	-	30,086,800
Total	185,699,000	42,812,500	228,511,500

Table 2

**2000-02 EXECUTIVE BUDGET - ENACTED
STATE GENERAL FUND**

	1999-00 Revised Base	2000-01	2001-02	Biennial Percent Change
Institutions				
Eastern Kentucky University	67,359,600	68,242,100	77,213,300	14.6%
Kentucky Community & Technical College System	170,190,400	183,601,400	198,960,700	16.9%
Kentucky State University	21,336,800	22,264,700	24,817,300	16.3%
Morehead State University	38,527,400	40,676,200	43,985,200	14.2%
Murray State University	46,324,800	47,914,400	54,159,800	16.9%
Northern Kentucky University	35,460,700	40,171,300	47,827,100	34.9%
University of Kentucky	296,485,300	309,030,100	328,232,800	10.7%
University of Louisville	167,890,000	172,603,200	182,902,800	8.9%
Western Kentucky University	61,071,200	65,028,400	72,474,400	18.7%
<i>Subtotal Institutions</i>	<i>904,646,200</i>	<i>949,531,800</i>	<i>1,030,573,400</i>	<i>13.9%</i>
CPE				
Incentive Trust Funds	-	10,680,900	26,275,100	NA
Pass Through Programs	6,421,500	13,326,800	9,415,400	46.6%
KCVU	6,128,000	6,255,000	6,405,000	4.5%
Agency Operations	3,949,000	3,992,000	4,088,000	3.5%
<i>Subtotal CPE</i>	<i>16,498,500</i>	<i>34,254,700</i>	<i>46,183,500</i>	<i>NA</i>
KHEAA	52,767,600	69,019,100	82,854,400	57.0%
Total Postsecondary Education	973,912,300	1,052,805,600	1,159,611,300	19.1%

Table 3

**2000-02 EXECUTIVE BUDGET - ENACTED
STATE GENERAL FUND**

2000-01	<u>EKU</u>	<u>KCTCS</u>	<u>KSU</u>	<u>Morehead</u>	<u>Murray</u>	<u>NKU</u>	<u>UK*</u>	<u>UofL</u>	<u>WKU</u>	<u>Subtotal Institutions</u>	<u>CPE**</u>	<u>KHEAA</u>	<u>Total</u>
Appropriations to the Institutions	67,392,100	170,101,400	21,864,700	40,326,200	47,714,400	39,821,300	307,830,100	172,153,200	64,328,400	931,531,800	72,173,800	49,100,000	1,052,805,600
Research Challenge Trust Fund													
Enrollment Growth and Retention	-	-	-	-	-	-	1,200,000	450,000	-	1,650,000	(1,650,000)		-
Regional University Excellence Trust Fund													
Enrollment Growth and Retention	850,000	-	400,000	350,000	200,000	350,000	-	-	700,000	2,850,000	(2,850,000)		-
Action Agenda	-	-	-	-	-	-	-	-	-	-	-		-
Physical Facilities	-	-	-	-	-	-	-	-	-	-	-		-
Workforce Development													
Enrollment Growth and Retention	-	3,500,000	-	-	-	-	-	-	-	3,500,000	(3,500,000)		-
Workforce Training	-	6,000,000	-	-	-	-	-	-	-	6,000,000	(6,000,000)		-
KCTCS Administrative System	-	4,000,000	-	-	-	-	-	-	-	4,000,000	(4,000,000)		-
Student Financial Aid & Advancement Trust Fund	-	-	-	-	-	-	-	-	-	-	(19,919,100)	19,919,100	-
Total	68,242,100	183,601,400	22,264,700	40,676,200	47,914,400	40,171,300	309,030,100	172,603,200	65,028,400	949,531,800	34,254,700	69,019,100	1,052,805,600

2001-02	<u>EKU</u>	<u>KCTCS</u>	<u>KSU</u>	<u>Morehead</u>	<u>Murray</u>	<u>NKU</u>	<u>UK*</u>	<u>UofL</u>	<u>WKU</u>	<u>Subtotal Institutions</u>	<u>CPE**</u>	<u>KHEAA</u>	<u>Total</u>
Appropriations to the Institutions	72,435,200	184,748,000	22,717,900	41,030,700	50,737,100	44,613,400	322,210,600	179,478,800	67,701,700	985,673,400	124,558,400	49,379,500	1,159,611,300
Research Challenge Trust Fund													
Enrollment Growth and Retention	-	-	-	-	-	-	1,200,000	450,000	-	1,650,000	(1,650,000)		-
Regional University Excellence Trust Fund													
Enrollment Growth and Retention	850,000	-	400,000	350,000	200,000	350,000	-	-	700,000	2,850,000	(2,850,000)		-
Action Agenda	2,433,000	-	732,000	1,435,000	1,659,000	1,414,000	-	-	2,327,000	10,000,000	(10,000,000)		-
Physical Facilities	1,495,100	4,712,700	967,400	1,169,500	1,563,700	1,449,700	4,822,200	2,974,000	1,745,700	20,900,000	(20,900,000)		-
Workforce Development													
Enrollment Growth and Retention	-	3,500,000	-	-	-	-	-	-	-	3,500,000	(3,500,000)		-
Workforce Training	-	6,000,000	-	-	-	-	-	-	-	6,000,000	(6,000,000)		-
KCTCS Administrative System	-	-	-	-	-	-	-	-	-	-	-		-
Student Financial Aid & Advancement Trust Fund	-	-	-	-	-	-	-	-	-	-	(33,474,900)	33,474,900	-
Total	77,213,300	198,960,700	24,817,300	43,985,200	54,159,800	47,827,100	328,232,800	182,902,800	72,474,400	1,030,573,400	46,183,500	82,854,400	1,159,611,300

* Includes Lexington Community College.

** Includes funding for agency operations, pass-through programs, KCVU, Technology Trust Fund, Science and Technology Trust Fund, and Adult Education Trust Fund.

Note: Negative values for CPE indicate funds as allocated to the institutions and KHEAA.

Table 4

BUDGETED 1999-2000 AND ESTIMATED 2000-2002 TUITION AND FEES REVENUE*

<u>Institution</u>	<u>Budgeted 1999-00</u>	<u>Estimated 2000-01</u>	<u>Annual Increase</u>		<u>Estimated 2001-02</u>	<u>Annual Increase</u>		<u>Biennial Increase</u>	
			<u>Dollar Increase</u>	<u>Percent Increase</u>		<u>Dollar Increase</u>	<u>Percent Increase</u>	<u>Dollar Increase</u>	<u>Percent Increase</u>
Eastern Kentucky University	38,722,500	41,186,600	2,464,100	6.4%	43,835,500	2,648,900	6.4%	5,113,000	13.2%
Kentucky Community & Technical College System	50,599,700	52,756,600	2,156,900	4.3%	55,357,100	2,600,500	4.9%	4,757,400	9.4%
Kentucky State University	7,515,900	8,137,500	621,600	8.3%	8,865,100	727,600	8.9%	1,349,200	18.0%
Morehead State University	22,043,700	22,605,700	562,000	2.5%	23,184,500	578,800	2.6%	1,140,800	5.2%
Murray State University*	27,734,000	29,551,500	1,817,500	6.6%	31,505,400	1,953,900	6.6%	3,771,400	13.6%
Northern Kentucky University*	38,058,800	39,857,400	1,798,600	4.7%	41,754,900	1,897,500	4.8%	3,696,100	9.7%
University of Kentucky	119,290,400	124,384,100	5,093,700	4.3%	129,736,700	5,352,600	4.3%	10,446,300	8.8%
University of Louisville	72,301,800	76,328,300	4,026,500	5.6%	80,344,700	4,016,400	5.3%	8,042,900	11.1%
Western Kentucky University	38,229,000	40,389,600	2,160,600	5.7%	42,724,400	2,334,800	5.8%	4,495,400	11.8%
Total	414,495,800	435,197,300	20,701,500	5.0%	457,308,300	22,111,000	5.1%	42,812,500	10.3%

* 2000-02 tuition revenue as reported by institutions. Fee revenue reflects budgeted 1999-2000 amounts - revenue was not increased over the biennium.

Table 5

**2000-02 EXECUTIVE BUDGET - ENACTED
INCENTIVE TRUST FUNDS**

Incentive Trust Funds	2000-01	2001-02
Research Challenge Trust Fund		
Enrollment Growth and Retention	1,650,000	1,650,000
Lung Cancer Research*	-	-
Total	1,650,000	1,650,000
Regional University Excellence Trust Fund		
Enrollment Growth and Retention	2,850,000	2,850,000
Action Agenda	-	10,000,000
Total	2,850,000	12,850,000
Postsecondary Workforce Development Trust Fund		
Enrollment Growth and Retention	3,500,000	3,500,000
Workforce Training	6,000,000	6,000,000
KCTCS Administrative System	4,000,000	-
Total	13,500,000	9,500,000
Technology Trust Fund		
Equipment Replacement-Debt Service on \$20 million authorization	-	3,800,000
Network Infrastructure	-	1,200,000
Public Communication Campaign - Restricted Agency (KEES Transfer)	-	1,500,000
Faculty Development	-	1,000,000
Total	-	7,500,000
Physical Facilities Trust Fund (all debt service)		
Capital Renewal & Maintenance - \$30 million authorization	-	3,018,000
Renovation, Replacement, & Infrastructure - \$103.4 million authorization	-	10,436,000
New Construction - \$74 million authorization	-	7,446,000
Total	-	20,900,000
Student Financial Aid & Student Advancement Trust Fund - KEES Program	22,350,000	37,500,000
Adult Education and Literacy Trust Fund	7,000,000	12,000,000
Science and Technology Trust Fund		
Research & Development	-	3,000,000
Commercialization	-	750,000
Regional Technology Service	-	500,000
Entrepreneurial Audit	250,000	-
Rural Innovation Fund	1,000,000	-
Total	1,250,000	4,250,000
Total Incentive Trust Funds		
State General Fund	48,600,000	104,650,000
Restricted Agency Receipts (KEES Transfer)	-	1,500,000
Total	48,600,000	106,150,000

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Table 6

**2000-02 EXECUTIVE BUDGET - ENACTED
SURPLUS EXPENDITURE PLAN
ENDOWMENT MATCH PROGRAMS**

	<u>2000-01</u>	<u>2001-02</u>
Research Universities		
University of Kentucky	66,667,000	-
University of Louisville	33,333,000	-
Total	100,000,000	-
Comprehensive Universities		
Eastern Kentucky University	4,900,000	-
Kentucky State University	1,503,000	-
Morehead State University	2,925,000	-
Murray State University	3,383,000	-
Northern Kentucky University	2,664,000	-
Western Kentucky University	4,625,000	-
Total	20,000,000	-
Total Endowment Match Program	120,000,000	-

TOBACCO SETTLEMENT FUNDS

	<u>2000-01</u>	<u>2001-02</u>
University of Kentucky/University of Louisville		
Lung Cancer Research	5,055,000	6,080,000
KHEAA		
Early Childhood Scholarship Program	1,400,000	1,409,500
Total	6,455,000	7,489,500

Table 7

**2000-02 EXECUTIVE BUDGET - ENACTED
COUNCIL ON POSTSECONDARY EDUCATION
AGENCY OPERATING, KCVU/KCVL, AND PASS THROUGH PROGRAMS**

Category	2000-01	2001-02
Agency Operations	3,992,000	4,088,000
KY Commonwealth Virtual University		
State General Funds	6,255,000	6,405,000
Restricted Agency Funds	1,355,000	1,355,000
Total KCVU	7,610,000	7,760,000
Pass-Through Programs		
Contract Spaces Program - Restricted Agency Funds	2,430,900	2,525,100
Professional Education Preparation Program (PEPP)	437,400	447,600
Telecommunication Consortium (ETV)	191,500	196,100
Metroversity Consortia	60,500	61,800
Minority Student College Preparation Program	226,300	231,700
EPSCoR	6,564,600	2,626,200
State Autism Training Center	228,500	234,000
Kentucky Rural Development Center	750,000	750,000
Early Reading Incentive Grant (ERIG) - Base	1,800,000	1,800,000
Early Reading Incentive Grant (ERIG) - Expansion	2,400,000	2,400,000
Collaborative Center for Literacy - Expansion	600,000	600,000
SREB Doctoral Scholars Program - Base Restoration	68,000	68,000
Total Pass-Through		
State General Fund	13,326,800	9,415,400
Restricted Agency Funds	2,430,900	2,525,100
Total	15,757,700	11,940,500
Eisenhower Mathematics and Science (Federal Funds)	1,100,000	1,100,000
Total Agency Request		
State General Fund	23,573,800	19,908,400
Restricted Agency Funds	3,785,900	3,880,100
Federal Funds	1,100,000	1,100,000
Total	28,459,700	24,888,500

Table 8

2000-02 EXECUTIVE BUDGET - CAPITAL PROJECTS

<u>Institution/Project</u>	<u>Bond Authorization</u>	<u>State Supported Debt Service</u>	
		<u>Physical Facilities Trust Fund</u>	<u>Technology Initiative Trust Fund</u>
Eastern Kentucky University			
Capital Renewal and Maintenance	2,814,000	283,100	
Renovation, Replacement, and Infrastructure			
Cammack Building Renovation	-	-	
Health Education Center, Phase I	7,000,000	706,000	
Business and Technology Building *	5,000,000	506,000	
Subtotal	14,814,000	1,495,100	
* Total scope of this project is \$15 million - \$5 million to be funded with bonds, \$10 million to be funded with restricted funds.			
Kentucky Community and Technical College System			
Capital Renewal and Maintenance	5,086,000	511,700	
Renovation, Replacement, and Infrastructure			
Jefferson CC-Renovation of Downtown Campus	8,800,000	886,000	
Ashland TC-Original College Renovation	6,900,000	696,000	
Mayo TC-Campus Renovation	7,582,000	765,000	
Cumberland Valley TC-Harlan Campus Renovation, Bldg. 2	4,114,000	417,000	
Elizabethtown CC-Science Building Renovation	2,200,000	225,000	
Southeast CC-Newman Hall Renovation	2,000,000	206,000	
New Construction			
Community and Technical College in northern KY, Phase I	10,000,000	1,006,000	
Subtotal	46,682,000	4,712,700	
Kentucky State University			
Capital Renewal and Maintenance	759,000	76,400	
Renovation, Replacement, and Infrastructure			
Hathaway Hall Renovation	3,796,000	385,000	
Carver Hall Renovation	5,000,000	506,000	
Subtotal	9,555,000	967,400	
Morehead State University			
Capital Renewal and Maintenance	1,625,000	163,500	
Renovation, Replacement, and Infrastructure			
Student Center Renovation, Phase I	10,000,000	1,006,000	
Subtotal	11,625,000	1,169,500	
Murray State University			
Capital Renewal and Maintenance	2,532,000	254,700	
Renovation, Replacement, and Infrastructure			
Blackburn Science Replacement, Phase I	13,000,000	1,309,000	
Subtotal	15,532,000	1,563,700	
Northern Kentucky University			
Capital Renewal and Maintenance	1,359,000	136,700	
Renovation, Replacement, and Infrastructure			
Power Plant	12,000,000	1,207,000	
Old Science Building - Planning and Design	1,000,000	106,000	
Subtotal	14,359,000	1,449,700	
University of Kentucky			
Capital Renewal and Maintenance	8,929,000	898,200	
Renovation, Replacement, and Infrastructure	-	-	
New Construction			
Biomedical Sciences Research Building*	39,000,000	3,924,000	
Subtotal	47,929,000	4,822,200	

2000-02 EXECUTIVE BUDGET - CAPITAL PROJECTS

<u>Institution/Project</u>	<u>Bond Authorization</u>	<u>State Supported Debt Service</u>	
		<u>Physical Facilities Trust Fund</u>	<u>Technology Initiative Trust Fund</u>
University of Louisville			
Capital Renewal and Maintenance	4,553,000	458,000	
Renovation, Replacement, and Infrastructure	-	-	
New Construction			
Research Building*	25,000,000	2,516,000	
Subtotal	29,553,000	2,974,000	
Western Kentucky University			
Capital Renewal and Maintenance	2,343,000	235,700	
Renovation, Replacement, and Infrastructure			
Thompson Sc. Complex Replacement/Renovation, Phase I	15,000,000	1,510,000	
Subtotal	17,343,000	1,745,700	
Council on Postsecondary Education			
Equipment Replacement Pool	20,000,000		3,800,000
Subtotal	20,000,000	-	3,800,000
Total			
Capital Renewal and Maintenance	30,000,000	3,018,000	-
Renovation, Replacement, and Infrastructure	103,392,000	10,436,000	-
New Construction	74,000,000	7,446,000	-
Equipment Replacement Pool	20,000,000	-	3,800,000
Total	227,392,000	20,900,000	3,800,000
Agency Bond Pool	35,000,000		
Agency Bonded Projects			
University of Kentucky			
Parking #2, Expansion/Renovation/Replacement **	11,000,000		
Keenland Hall - HVAC **	2,821,000		
Jewell Hall - HVAC **	1,040,000		
Boyd Hall - HVAC **	1,633,000		
Cooperstown - Phase IV **	1,313,000		
Seaton Center Addition/Renovation**	15,350,000		
Biomedical Sciences Research Building*	26,000,000		
Subtotal	59,157,000		
University of Louisville			
Research Building*	16,368,000		
Total Agency Bonded Projects	75,525,000		
Total Bond Authorization - State and Agency	337,917,000		
Projects Funded in other Agency Budgets			
Eastern Kentucky University			
Law Enforcement Basic Training Complex			
Department of Criminal Justice Training - Agency Bonds	7,000,000		
Business and Technology Building			
Restricted Funds (Econ. Dev. Bonds)	10,000,000		
Total	17,000,000		
Western Kentucky University			
South Campus Building - Restricted Funds (Econ. Dev. Bonds)	10,000,000		

* State funding for the research buildings at the University of Kentucky and the University of Louisville is contingent upon commitment by each of the institutions to match the state funding. This represents 60 percent funding by the state and 40 percent funding by the institution. The total project scope of the UK building is \$65,000,000. The total project scope of the UofL building is \$41,368,000.

** These projects were originally eligible for funding from the \$35 million agency bond pool.

Table 9

**2000-02 EXECUTIVE BUDGET - ENACTED
COMMUNITY DEVELOPMENT PROJECTS**

<u>Institution/County</u>	<u>Project</u>	<u>2000-02</u>	<u>General Fund</u>	
		<u>Bond</u>	<u>2000-01</u>	<u>2001-02</u>
		<u>Authorization *</u>		
KCTCS				
Technical College - Clinton County	Construction of a new Technical College	2,000,000		
Daviess County	Advanced Technology Center Study	375,000		
Floyd County	East KY Cntr for Science, Math, and Tech	1,000,000		
Elizabethtown CC - Hardin County	School of Nursing computer program for home visitation - operating funds		40,000	
Southeast CC - Harlan County	Planning and preliminary design of the Appalachian Development Center	500,000		
Maysville CC - Harrison County	KCTCS Building	200,000		
Madisonville CC - Hopkins County	Parking lot, completion of Science Bldg., new road into campus, road for service access, new walkways, tennis courts, and campus signs.	850,000		
Hazard CC - Knott County	KCTCS parking structure	1,000,000		
	Pedestrian Walkway in Hindman	100,000		
Madisonville CC Satellite Site - Muhlenberg County	Complete funding for construction of satellite campus	700,000		
Perry County	Funding to locate a Center for Rural Health in Eastern Kentucky.	4,000,000		
Total		10,725,000	40,000	-
Morehead State University				
Rowan County	Radiological Imaging Equipment	100,000	-	-
University of Louisville				
Jefferson County	Cardinal Park - Construction of playground	350,000		
	State Autism Center - operating funds		500,000	
Total		350,000	500,000	-
System Total		11,175,000	540,000	-

* Debt service for these projects will be approximately \$1.2 million.

Table 10

**2000-02 Capital Projects
Agency Bond Projects Pool
Projects Eligible for Funding**

Institution / Institutional Priority / Project Title		Project Scope
Eastern Kentucky University		
2	Student Housing Fire Safety	\$2,000,000
3	Dormitory Renovation, Combs Hall	5,000,000
14	Greek Row	4,000,000
EKU Subtotal		11,000,000
Kentucky State University		
4	Young Hall Renovation	3,672,000
KSU Subtotal		3,672,000
Morehead State University		
1	Auxiliary Facilities Life Safety	2,030,000
5	Americans with Disabilities Act Compliance-Aux	1,560,000
8	Capital Renewal - Auxiliary Facilities	2,300,000
25	Construction of Family Housing Complexes	4,000,000
MoSU Subtotal		9,890,000
Murray State University		
6	Deferred Maintenance: H & D Pool < \$400,000	930,000
7	Life Safety: H & D Pool <\$400,000	40,000
12	Capital Renewal: H & D Pool < \$400,000	195,000
22	Replace Clark Hall	8,000,000
MuSU Subtotal		9,165,000
Northern Kentucky University		
5	Classroom Project Initiative	3,000,000
15	Safety Lighting	910,000
NKU Subtotal		3,910,000
University of Kentucky		
15	Student Housing/Fraternity House Replacement	6,000,000
185	Chiller Replacement - Cooling #3	2,500,000
203	Cooling Plant #1 Expansion	14,755,000
227	Communication Project	1,735,000
UK Subtotal		24,990,000
Western Kentucky University		
2	Thompson Sc Complex Replacement & Renovation - Phase I	11,000,000
WKU Subtotal		11,000,000
System Total		\$73,627,000

HOUSE BILL 502, LANGUAGE PROVISIONS

Research Challenge Trust Fund Account: The proceeds of the endowment program authorized in Part X, Section 1 of this Act shall be deposited in the Research Challenge Trust Fund Account and invested at the direction of the Council on Postsecondary Education until such time as the Council receives a certification from the Presidents of the University of Kentucky or the University of Louisville stating that cash or a binding written contract or agreement has been secured by the respective universities to provide the matching requirements as determined by the Council. Upon receipt of the certification, the Council shall transfer the endowment funds from the account to the respective universities for management and investment by the university foundations if the foundations have been previously created to manage and invest private gifts and donations on behalf of the universities over time, otherwise by the university itself. The proceeds of the Research Challenge Trust Fund Account transferred to the universities shall not be managed or invested by an independent board or foundation separate from the foundations previously created to manage and invest funds on behalf of the respective universities.

Regional University Excellence Trust Fund: The proceeds of the endowment program authorized in Part X, Section 1 of this Act shall be deposited in the Regional University Trust Fund Account and invested at the direction of the Council on Postsecondary Education until such time as the Council receives a certification from the Presidents of Eastern Kentucky University, Kentucky State University, Morehead State University, Murray State University, Northern Kentucky University, and Western Kentucky University stating that cash or a binding written contract or agreement has been secured by the respective universities to provide the matching requirements as determined by the Council. Upon receipt of the certification, the Council shall transfer the endowment funds from the account to the respective universities for management and investment by the university foundations if the foundations have been previously created to manage and invest private gifts and donations on behalf of the universities over time, otherwise by the university itself. The proceeds of the Regional Excellence Trust Fund transferred to the universities shall not be managed or invested by an independent board or foundation separate from the foundations previously created to manage and invest funds on behalf of the respective universities.

Kentucky Commonwealth Virtual University: The Kentucky Commonwealth Virtual University is encouraged to acquire on-line courses and degree programs which are available from a Kentucky public postsecondary institution.

Workforce Development Trust Fund: Notwithstanding KRS 164.7925, the General Assembly directs that Lexington Community College shall be eligible for funding from the \$6,000,000 General Fund appropriations each fiscal year, to postsecondary institutions in Part I, Section L, Operating Budget, in the Workforce Development Trust Fund, for initiatives to provide workforce training programs.

Kentucky Community and Technical College System Faculty and Staff Salaries: The number one budget request priority of the Kentucky Community and Technical College System is to correct the historically low salaries of the faculty and staff. The average 1998-99 salary of the

community college faculty member is approximately \$2,800 less than the midpoint between the average 1998-99 salary of a Kentucky K-12 teacher and the average salary of a faculty member in Kentucky's other state-supported higher education institutions. The Kentucky Community and Technical College System shall place the highest priority on improving salaries of the Kentucky Community and Technical College System faculty and nonexecutive and nonmanagerial staff.

Endowment Program Private Match: It is the intent of the General Assembly that the Council on Postsecondary Education should establish a fair and reasonable method of dispersing the Endowment Program funding of the Research Challenge Trust Fund to the universities in such a way that requires the private match to be available in cash or by means of a binding written contract or agreement to qualify for the disbursement of state funds. It is the intent of the General Assembly that the method of disbursement should not impede the ability of the universities to prudently and expeditiously raise private funds.

Board of Regents Employee Exemption: Notwithstanding KRS 164.360(2), any person employed at a public postsecondary education institution at least 36 months or more before the person's relative was appointed to the board of regents of that institution and the individual is currently serving as a Regent shall continue to be an employee of that institution.

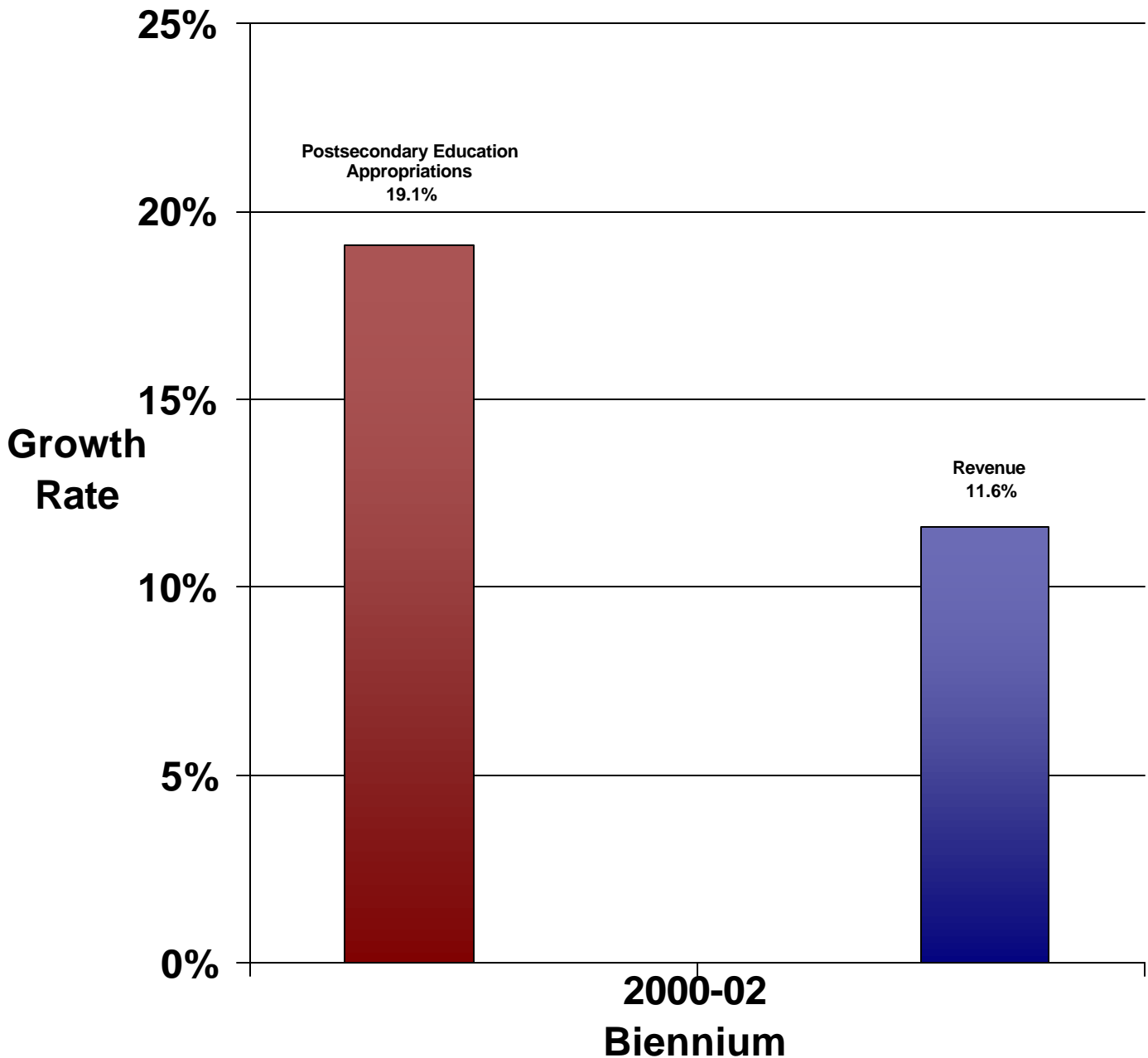
Maintenance and Operation Funds for New Postsecondary Education Facilities: The General Fund appropriations to postsecondary institutions in Part I, Section L, Operating Budget includes the amounts of \$2,067,900 in fiscal year 2000-2001 and \$19,068,600 in fiscal year 2001-2002 allocated for maintenance and operation of new facilities at each institution authorized by 1998 Kentucky Acts, Chapter 615, Part II (HB 321). Any corresponding unexpended amounts for this purpose shall not lapse, notwithstanding KRS 45.229, but shall be allotted to the respective institutions for program purposes.

Space Allocation: Morehead State University shall provide sufficient classroom, open laboratory, teaching laboratory and other space necessary for the Kentucky Community and Technical College System and other public entities to provide course offerings to assist in meeting the academic and workforce training needs of the region within the West Liberty Extended Campus Building authorized by 1998 Kentucky Acts, Chapter 615, Part II (HB 321).

Section 41, subsection a – Murray State University, Breathitt Veterinary Center: Included in the General Fund appropriation is \$2,375,500 in fiscal year 2000-2001 and \$2,432,500 in fiscal year 2001-2002 for the Breathitt Veterinary Center. Included in the Restricted Funds appropriations is \$242,700 in each fiscal year for the Breathitt Veterinary Center. Notwithstanding KRS 48.130 and 48.600, there shall be no reduction in funding for these programs. These funds shall be expended solely for the programs of the Breathitt Veterinary Center.

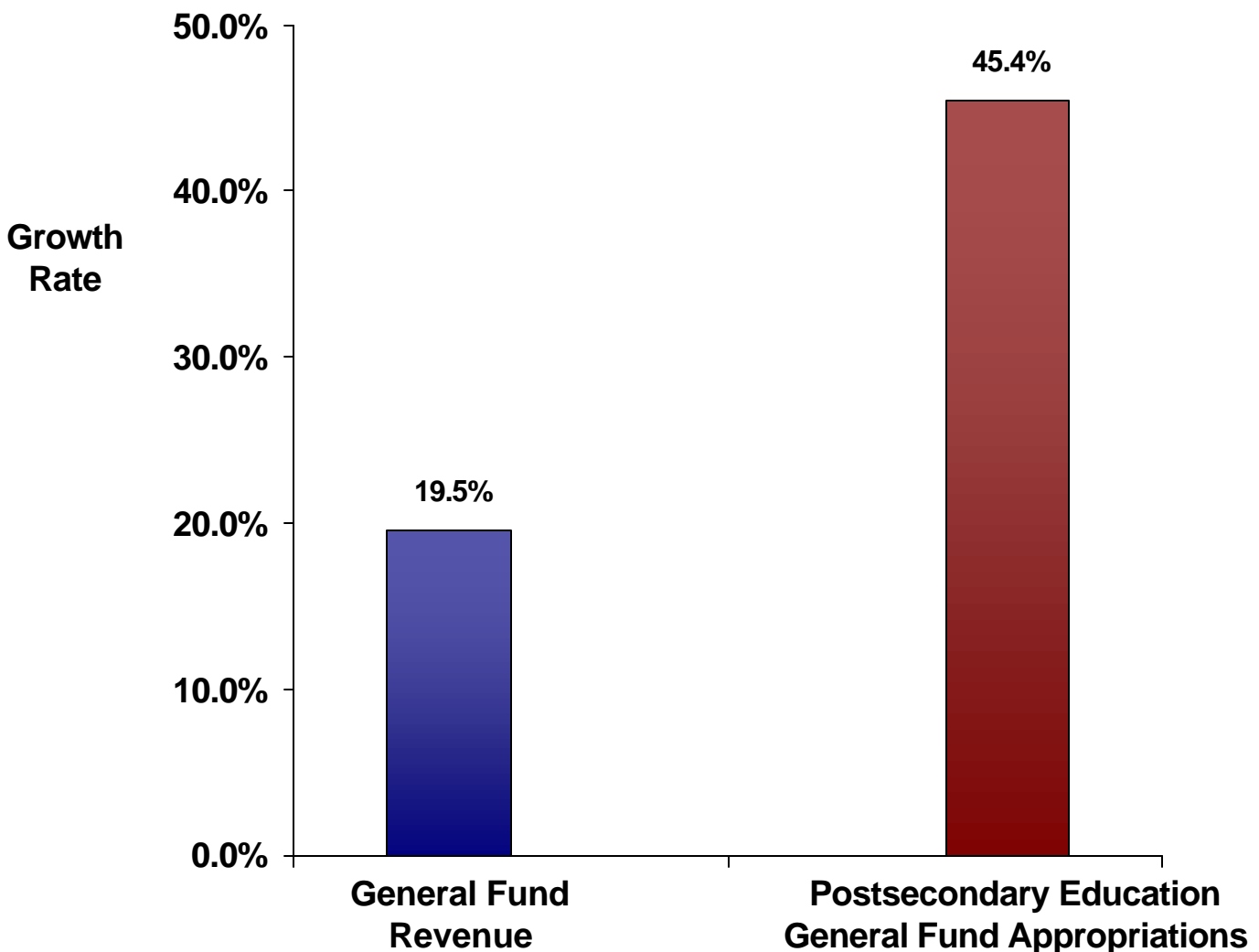
University of Kentucky – The University of Kentucky shall place the highest priority on improving the salaries of the Lexington Community College faculty and staff.

Comparison of Postsecondary Education General Fund Appropriations Growth with General Fund Revenue Growth 2000-02



Note: Postsecondary education appropriations growth reflects the enacted postsecondary education budget per HB 502, and revenue growth reflects the numbers contained in House Joint Resolution 83.

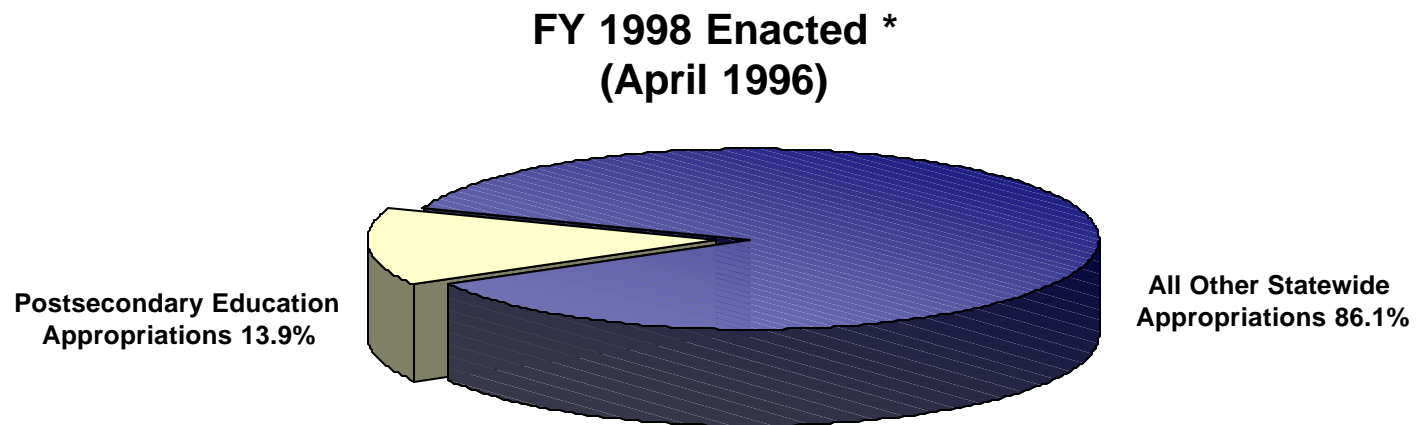
**Comparison of General Fund Revenue Growth
with Postsecondary Education Appropriations Growth
Since House Bill 1
(FY 1998 – FY 2002)**



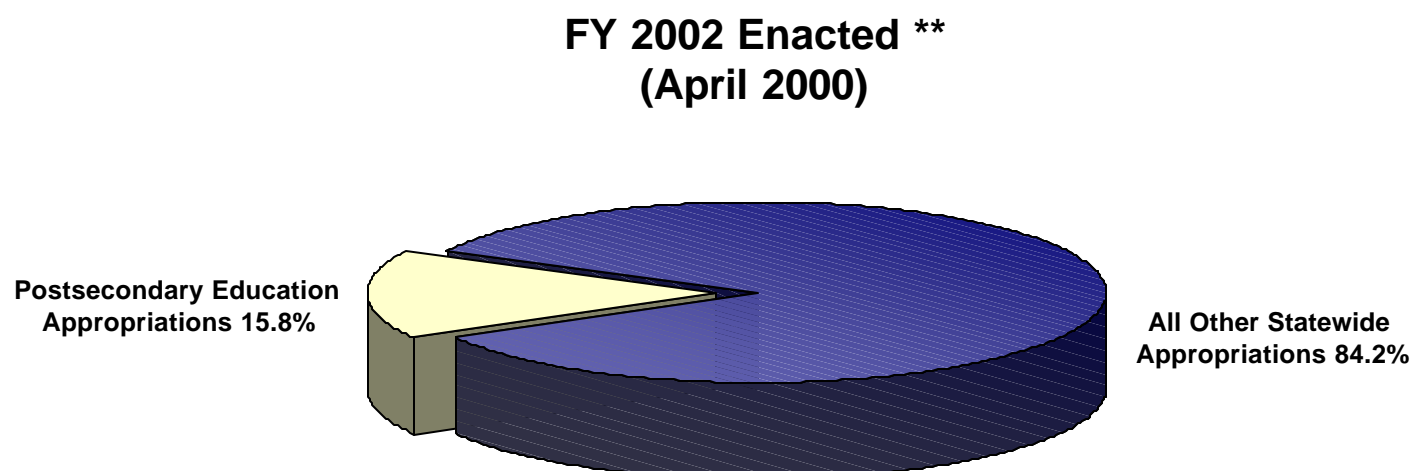
Note: The comparison on the revenue side is actual FY 1998 General Fund revenue and the FY 2002 estimated numbers that are included in House Joint Resolution 83, as enacted. The comparison on the appropriations side are the actual FY 1998 postsecondary education General Fund appropriations in the enacted 1996-98 budget and the postsecondary education appropriations for FY 2002 included in House Bill 502, as enacted.

Before and After House Bill 1 Comparison:

Postsecondary Education General Fund Appropriations with Total Statewide General Fund Appropriations



*** Source:** The 1996-98 Budget of the Commonwealth.



**** Sources:** House Bill 502 and House Joint Resolution 83, as enacted.

Table 12

**Postsecondary Education Operating
Appropriations Over Four Years
(In Millions)**

Enacted 2001-02	1,159.6
Original 1997-98	<u>797.5</u>
Operating Increase	362.1

**Postsecondary Education
Funds Increases Since HB 1
(In Millions)**

Postsecondary Education	
Operating Increase	362.1
"Bucks for Brains" (1998 and 2000)	230.0
"Bucks for Brains" Matching (1998 and 2000)	<u>230.0</u>
Total	822.1